LOANS

District of Columbia - Restrictions.

The Executive 24 June 1949

General Counsel

Statutory restrictions on money lending in the District of Columbia.

1. The law relating to money lenders in the District is contained in the District of Columbia Code, 1940 Edition, Tit. 22, Ch. 6, Sec. 601 thru 611.

2. Section 601 makes it illegal to engage in the District of Columbia in the business of loaning money upon which a rate of interest greater than 6% per annum is charged on any security of any kind without procuring a license, and all persons engaged in this business shall pay a license tax of $300 to the District. This section and Sections 602 thru 604 set the requirements for licensing, bonding and registering full information concerning the lender and the loans made.

3. Section 605 states that no person shall charge a greater rate of interest than one per centum per month on the actual amount of the loan, and this charge shall cover all expenses of the loan. Also, this interest shall not be deducted from the principal of the loan when it is made. The lender shall give the borrower a complete written statement, including all pertinent information concerning the loan and receipts for all payments. No such loan greater than $300 shall be made to any one person. Anyone charging or receiving a greater rate of interest than that fixed above will forfeit the interest and one-fourth of the principal sum. This section specifically provides that any person in the employ of the Government who shall loan money in violation of the provisions of this chapter shall forfeit his office or position and be barred from the same.

4. Section 611 provides that the enforcement of this chapter is entrusted to the Commissioners of the District, who may make further rules and regulations necessary in their judgment in addition to the statutory restrictions.

5. Certain Court decisions are noted in the Code. Thus, a non-resident who makes occasional loans on real estate in the District is not engaged in the business within the meaning of this Act. Another decision provides that this chapter is to be read together with the Usury Law (Ch. 25, Sec. 2705 et seq.), which provides that a verbal interest charge of greater than 6% per annum, or a written contract charging more than 6% per annum, is usurious, and the whole of the interest contracted for is forfeited. Chapter 22 itself, however, is not a usury statute, but was intended to apply only to persons making small loans or personal security.

The defense that a contract violates this chapter is available both against the nominal maker of the loan and against the principal for whom he acts. The section making it unlawful to engage in the business at a rate of interest greater than 6% without procuring a license applies to a loan larger than $300, although that sum is mentioned in Sec. 6(6), N.H. One does hold, however, that evidence that the lender had made five loans was not sufficient to warrant finding that the lender was engaged in the "business of loaning money" within this chapter. Eliot v. Jackson (D.C. 1943, 31m 2nd 602).

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